

**MOR-1**

CASE NAME: Watson Grinding and Manufacturing Co.  
 CASE NUMBER: 20-30967  
 PROPOSED PLAN DATE: Unknown

**UNITED STATES BANKRUPTCY COURT**

PETITION DATE: 2/6/2020  
 DISTRICT OF TEXAS: Southern  
 DIVISION: Houston

**MONTHLY OPERATING REPORT SUMMARY FOR****FEBRUARY 2020**

MONTH	02/01/20-02/29/20						
REVENUES (MOR-6)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCOME BEFORE INT; DEPREC./TAX (MOR-6)	-368,860.09	0.00	0.00	0.00	0.00	0.00	0.00
NET INCOME (LOSS) (MOR-6)	-374,402.09	0.00	0.00	0.00	0.00	0.00	0.00
PAYMENTS TO INSIDERS (MOR-9)	59,221.49	0.00	0.00	0.00	0.00	0.00	0.00
PAYMENTS TO PROFESSIONALS (MOR-9)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL DISBURSEMENTS (MOR-7)	375,719.02	0.00	0.00	0.00	0.00	0.00	0.00

\*\*\*The original of this document must be filed with the United States Bankruptcy Court and a copy must be sent to the United States Trustee\*\*\*

REQUIRED INSURANCE MAINTAINED AS OF SIGNATURE DATE		EXP.	DATE
CASUALTY	YES (x) NO ( )		<u>11/30/2020</u>
LIABILITY	YES (x) NO ( )		<u>11/30/2020</u>
VEHICLE	YES (x) NO ( )		<u>11/30/2020</u>
WORKER'S	YES (x) NO ( )		<u>11/30/2020</u>
OTHER	YES (x) NO ( )		<u>11/30/2020</u>

Are all accounts receivable being collected within terms? **CIRCLE ONE**  
 Yes        No         
 Are all post-petition liabilities, including taxes, being paid within terms? **CIRCLE ONE**  
 Yes        No         
 Have any pre-petition liabilities been paid?  
 If so, describe \_\_\_\_\_  
 Are all funds received being deposited into DIP bank accounts? **CIRCLE ONE**  
 Yes        No         
 Were any assets disposed of outside the normal course of business? **CIRCLE ONE**  
 Yes        No         
 If so, describe \_\_\_\_\_  
 Are all U.S. Trustee Quarterly Fee Payments current? **CIRCLE ONE**  
 Yes        No         
 What is the status of your Plan of Reorganization? \_\_\_\_\_

ATTORNEY NAME: Erin E. Jones  
 FIRM NAME: Jones Murray and Beatty LLP  
 ADDRESS: 4119 Montrose  
Suite 230  
 CITY, STATE, ZIP: Houston, TX 77006  
 TELEPHONE/FAX: 832-529-1999

I certify under penalty of perjury that the following complete  
 Monthly Operating Report (MOR), consisting of MOR-1 through  
 MOR-9 plus attachments, is true and correct.

SIGNED X  TITLE: COO  
 (ORIGINAL SIGNATURE)  
 Robert White, COO  
 (PRINT NAME OF SIGNATORY)

3-20-2020

DATE Revised 07/01/98

**MOR-1**

Reservation of Rights: The Debtor reserves all rights to amend or supplement the MOR in all respects, as may be necessary or appropriate, but shall be under no obligation to do so. Nothing contained in this MOR shall constitute a waiver of any of the Debtor's rights or an admission with respect to its Chapter 11.

\*\* Some regularly recurring journal entries have not been posted as of 02.29.2020, certain accruals have not been recorded based on the timing (due date) for the reports.

CASE NAME: Watson Grinding and Manufacturing Co.  
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### COMPARATIVE BALANCE SHEETS

ASSETS	FILING DATE*	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH
<b>CURRENT ASSETS</b>							
Cash - Operating/Payroll	879,294.94	792,002.28					
Cash - Insurance Proceeds <b>FN1</b>	3,000,000.00	3,000,000.00					
Accounts Receivable, Net	2,265,107.48	1,521,243.55					
Inventory: Lower of Cost or Market							
Prepaid Expenses	393,085.60	393,085.60					
Prepaid Insurances <b>FN2</b>	226,068.40	226,068.40					
Deposits <b>FN3</b>	317,423.10	317,423.10					
Investments							
Insurance	26,000,000.00	26,000,000.00					
Other <b>FN5</b>	10,092.22	9,783.96					
<b>TOTAL CURRENT ASSETS</b>	<b>33,091,071.74</b>	<b>32,259,606.89</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>PROPERTY, PLANT &amp; EQUIP. @ COST <b>FN4</b></b>	<b>4,239.99</b>	<b>4,239.99</b>					
Less Accumulated Depreciation	0.00	0.00					
<b>NET BOOK VALUE OF PP &amp; E</b>	<b>4,239.99</b>	<b>4,239.99</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>OTHER ASSETS</b>							
1.							
2.							
3.							
4.							
<b>TOTAL ASSETS</b>	<b>\$33,095,311.73</b>	<b>\$32,263,846.88</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

\* Per Schedules and Statement of Affairs

**MOR-2**

Revised 07/01/98

- FN1** Received on 02/03/2019 by United Fire Lloyds (General Liability - \$2,000,000 & Automobile Liability - \$1,000,000)  
**FN2** Prepaid Insurance - Al Thurmond Agency, Inc.  
**FN3** Equipment Deposit - Dunn's Testing  
**FN4** (2) 2010 Crown Victoria, 2001 F-250, and 2006 GMC Utility Truck - Appraisal Value  
**FN5** Employee Receivable (\$2,095.22) and Other Receivable (\$7,997.00)

CASE NAME: Watson Grinding and Manufacturing Co.  
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### COMPARATIVE BALANCE SHEETS

LIABILITIES & OWNER'S EQUITY	FILING DATE*	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
<b>LIABILITIES</b>							
POST-PETITION LIABILITIES(MOR-4)	0.00	384.00	0.00	0.00	0.00	0.00	0.00
PRE-PETITION LIABILITIES							
Notes Payable - Secured	<b>FN2</b>	3,218,120.00	3,218,120.00				
Priority Debt - Unsecured	<b>FN3</b>	144,921.78	144,921.78				
Federal Income Tax							
FICA/Withholding							
Unsecured Debt	<b>FN4   FN5</b>	3,075,032.64	3,059,799.23				
Other							
<b>TOTAL PRE-PETITION LIABILITIES</b>		6,438,074.42	6,422,841.01	0.00	0.00	0.00	0.00
<b>TOTAL LIABILITIES</b>		6,438,074.42	6,423,225.01	0.00	0.00	0.00	0.00
<b>OWNER'S EQUITY (DEFICIT)</b>							
PREFERRED STOCK							
COMMON STOCK							
ADDITIONAL PAID-IN CAPITAL							
RETAINED EARNINGS: Filing Date		26,657,237.31	26,657,237.31				
RETAINED EARNINGS: Post Filing Date		0.00	-374,402.09	0.00	0.00	0.00	0.00
RETAINED EARNINGS: Pre / Post Filing Date Adjustments	<b>FN1   FN6</b>	0.00	-442,213.35				
<b>TOTAL OWNER'S EQUITY (NET WORTH)</b>		26,657,237.31	25,840,621.87	0.00	0.00	0.00	0.00
<b>TOTAL LIABILITIES &amp; OWNERS EQUITY</b>		\$33,095,311.73	\$32,263,846.88	\$0.00	\$0.00	\$0.00	\$0.00

\* Per Schedules and Statement of Affairs

**MOR-3**

Revised 07/01/98

<b>FN1</b>	Adjustments such as payments of pre-petition debt, reduction of actual post petition debt, and other general operational adjustments	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>FN2</b>	Texas Capital Bank Borrowing Base Line of Credit (\$3,000,000.00); Harris County Tax Assessor-Collector (\$218,120.00)						
<b>FN3</b>	Texas Comptroller of Public Accounts (\$86,606.38); Accrued PTO (\$58,315.40)						
<b>FN4</b>	Significant number Litigation Claims have been filed but the pending amounts are Unknown at this time, thus excluded from the total						
<b>FN5</b>	Cash Collateral Budget approved by the court to pay Business Insurance premium - Texas Mutual Insurance Company (\$5,899.41); UFG Insurance (\$9,334.00)						
<b>FN6</b>	Accounts Receivable based off of the 01.23.2020 Trial Balance but cash as of the filing date 02.06.2020 --> AR Payments received between those (2) dates: January Electronic Payments (\$187,081.90); January Lockbox Payments (\$42,644.38); February Electronic Payments (\$94,082.35); February Lockbox Payments (\$80,365.00)						

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### SCHEDULE OF POST-PETITION LIABILITIES

	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH
<b>TRADE ACCOUNTS PAYABLE</b>	384.00					
TAX PAYABLE						
Federal Payroll Taxes						
State Payroll Taxes						
Ad Valorem Taxes						
Other Taxes						
<b>TOTAL TAXES PAYABLE</b>	0.00	0.00	0.00	0.00	0.00	0.00
SECURED DEBT POST-PETITION						
ACCRUED INTEREST PAYABLE						
ACCRUED PROFESSIONAL FEES*						
OTHER ACCRUED LIABILITIES						
1. Jones Murray and Beatty LLP	0.00					
2. MACCO Restructuring Group	0.00					
3. US Trustee Fees (Unpaid)	0.00					
<b>TOTAL POST-PETITION LIABILITIES (MOR-3)</b>	<b>\$384.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

\*Payment requires Court Approval

**MOR-4**

Revised 07/01/98

CASE NAME: Watson Grinding and Manufacturing Co.  
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**AGING OF POST-PETITION LIABILITIES**

**MONTH** Feb 2020

DAYS	TOTAL	TRADE ACCOUNTS	FEDERAL TAXES	STATE TAXES	AD VALOREM, OTHER TAXES	OTHER
0-30	384.00	384.00				
31-60	0.00	0.00				
61-90	0.00	0.00				
91+	0.00	0.00				
<b>TOTAL</b>	<b>\$384.00</b>	<b>\$384.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**AGING OF ACCOUNTS RECEIVABLE**

MONTH	Feb 2020					
0-30 DAYS	0.00					
31-60 DAYS	335,266.21					
61-90 DAYS	1,088,836.90					
91+ DAYS	147,140.44					
<b>TOTAL</b>	<b>\$1,571,243.55</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

**MOR-5**

*Revised 07/01/98*

CASE NAME: Watson Grinding and Manufacturing Co.

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## STATEMENT OF INCOME (LOSS)

	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
REVENUES (MOR-1)	0.00						0.00
TOTAL COST OF REVENUES	225,281.58						225,281.58
GROSS PROFIT	-225,281.58	0.00	0.00	0.00	0.00	0.00	-225,281.58
<b>OPERATING EXPENSES:</b>							
Selling & Marketing	0.00						0.00
General & Administrative	3,345.42						3,345.42
Insiders Compensation	59,221.49						59,221.49
Payroll & Payroll Taxes	78,497.02						78,497.02
Professional Fees	0.00						0.00
Legal Fees	0.00						0.00
Bank Fees	2,514.58						2,514.58
Commissions	0.00						0.00
<b>TOTAL OPERATING EXPENSES</b>	<b>143,578.51</b>	0.00	0.00	0.00	0.00	0.00	<b>143,578.51</b>
INCOME BEFORE INT, DEPR/TAX (MOR-1)	-368,860.09	0.00	0.00	0.00	0.00	0.00	-368,860.09
INTEREST EXPENSE	5,542.00						5,542.00
DEPRECIATION							0.00
OTHER (INCOME) EXPENSE*							0.00
OTHER ITEMS**							0.00
<b>TOTAL INT, DEPR &amp; OTHER ITEMS</b>	<b>5,542.00</b>	0.00	0.00	0.00	0.00	0.00	<b>5,542.00</b>
NET INCOME BEFORE TAXES	-374,402.09	0.00	0.00	0.00	0.00	0.00	-374,402.09
FEDERAL INCOME TAXES							0.00
<b>NET INCOME (LOSS) (MOR-1)</b>	<b>(\$374,402.09)</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	<b>(\$374,402.09)</b>

Accrual Accounting Required, Otherwise Footnote with Explanation.

\* Footnote Mandatory.

\*\* Unusual and/or infrequent item(s) outside the ordinary course of business requires footnote.

**MOR-6**

Revised 07/01/98

CASE NAME: Watson Grinding and Manufacturing Co.  
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CASH RECEIPTS AND DISBURSEMENTS	MONTH Feb 2020	MONTH	MONTH	MONTH	MONTH	MONTH	FILING TO DATE
1. CASH-BEGINNING OF MONTH	\$3,879,294.94	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,879,294.94
<b>RECEIPTS:</b>							
2. CASH SALES							0.00
3. COLLECTION OF ACCOUNTS RECEIVABLE	290,435.19						290,435.19
4. LOANS & ADVANCES (attach list)							0.00
5. SALE OF ASSETS							0.00
6. CONTRIBUTIONS							0.00
7. OTHER (Payroll Refund)							0.00
<b>TOTAL RECEIPTS**</b>	<b>290,435.19</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>290,435.19</b>
(Withdrawal) Contribution by Individual Debtor MFR-2*							0.00
<b>DISBURSEMENTS:</b>							
7a. NET PAYROLL	78,497.02						78,497.02
7b. INSIDER COMPENSATION	59,221.49	0.00	0.00	0.00	0.00	0.00	59,221.49
8. PAYROLL TAXES PAID							0.00
9. SALES, USE & OTHER TAXES PAID							0.00
10. SECURED/RENTAL/LEASES							0.00
11. UTILITIES & TELEPHONE							0.00
12. INSURANCE	15,233.41						15,233.41
13. INVENTORY PURCHASES							0.00
14. VEHICLE EXPENSES	2,650.00						2,650.00
15. TRAVEL & ENTERTAINMENT							0.00
16. REPAIRS, MAINTENANCE & SUPPLIES							0.00
17. ADMINISTRATIVE & SELLING	207,846.27						207,846.27
18. INTEREST EXPENSE	12,270.83						12,270.83
<b>TOTAL DISBURSEMENTS FROM OPERATIONS</b>	<b>375,719.02</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>375,719.02</b>
19. PROFESSIONAL FEES							0.00
20. U.S. TRUSTEE FEES							0.00
21. OTHER REORGANIZATION EXPENSES (attach list)							0.00
<b>TOTAL DISBURSEMENTS**</b>	<b>375,719.02</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>375,719.02</b>
22. NET CASH FLOW	-85,283.83	0.00	0.00	0.00	0.00	0.00	-85,283.83
23. CASH - END OF MONTH (MOR-2)	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11	\$3,794,011.11

MOR-7

\* Applies to Individual debtors only

\*\*Numbers for the current month should balance (match)

RECEIPTS and CHECKS/OTHER DISBURSEMENTS lines on MOR-8

Revised 07/01/98

CASE NAME: Watson Grinding and Manufacturing Co.  
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**CASH ACCOUNT RECONCILIATION**  
**MONTH OF** Feb 2020

BANK NAME	Texas Capital Bank	Texas Capital Bank	Compass Bank	
ACCOUNT NUMBER	Acct Ending 0594	Acct Ending 0578	Acct Ending 6575	
ACCOUNT TYPE	<i>OPERATING</i>	<i>PAYROLL</i>	<i>OPERATING</i>	<i>TOTAL</i>
BANK BALANCE	878,394.06	5,426.48	3,025,247.64	3,909,068.18
DEPOSITS IN TRANSIT	0.00	0.00	0.00	0.00
OUTSTANDING CHECKS	117,065.90	0.00	0.00	117,065.90
ADJUSTED BANK BALANCE	\$761,328.16	\$5,426.48	\$3,025,247.64	\$3,792,002.28
BEGINNING CASH - PER BOOKS	852,740.39	5,426.48	3,019,119.24	3,877,286.11
RECEIPTS*	282,935.19	0.00	7,500.00	290,435.19
TRANSFERS BETWEEN ACCOUNTS	0.00	0.00	0.00	0.00
(WITHDRAWAL) OR CONTRIBUTION BY INDIVIDUAL DEBTOR MFR-2	0.00	0.00	0.00	0.00
CHECKS/OTHER DISBURSEMENTS*	374,347.42	0.00	1,371.60	375,719.02
ENDING CASH - PER BOOKS	\$761,328.16	\$5,426.48	\$3,025,247.64	\$3,792,002.28

**MOR-8**

\*Numbers should balance (match) TOTAL RECEIPTS an *Revised 07/01/98*  
 TOTAL DISBURSEMENTS lines on MOR-7

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## PAYMENTS TO INSIDERS AND PROFESSIONALS

Of the total disbursements shown for the month, list the amount paid to insiders (as defined in Section 101(31)(A)-(F) of the U.S. Bankruptcy Code) and the professionals. Also, for insiders, identify the type of compensation paid (e.g., salary, commission, bonus, etc.) (Attach additional pages as necessary).

INSIDERS: NAME/COMP TYPE	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Feb 2020					
1. John Watson	26,395.33					
2. Robert White	16,418.58					
3. Jason White	16,407.58					
4. Judy White	0.00					
5. Betty Sue Watson	0.00					
6.						
TOTAL INSIDERS (MOR-1)	\$59,221.49	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

PROFESSIONALS	MONTH	MONTH	MONTH	MONTH	MONTH	MONTH
	Feb 2020					
1. Jones Murray and Beatty LLP	0.00					
2. MACCO Restructuring Group	0.00					
3.						
4.						
5.						
6.						
TOTAL PROFESSIONALS (MOR-1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**MOR-9**

*Revised 07/01/98*